

**YAQEEEN FINANCIAL (YAQEEEN CAPITAL)
(SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

YAQEEN FINANCIAL (YAQEEN CAPITAL)
(Single Person Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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Independent auditor's report to the shareholder of Yaqeen Financial (Yaqeen Capital) (A Single Shareholder Closed Joint Stock Company)

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yaqeen Financial (Yaqeen Capital) (the "Company") as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.



Independent auditor's report to the shareholder of Yaqeen Financial (Yaqeen Capital) (A Single Shareholder Closed Joint Stock Company) (continued)

Auditor's responsibilities for the audit of the financial statements

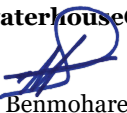
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers



Bader I. Benmohareb
License Number 471

20 March 2023

YAQEEN FINANCIAL (YAQEEN CAPITAL)
(Single Person Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 December 2022	31 December 2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	37,211	33,735
Margin deposit with Muqassa	5	45,263	-
Margin lending and Murabaha financing	6	75,748	255,301
Investments at fair value through profit or loss (FVTPL)	7	10,382	6,479
Due from related parties	9	738	374
Other assets	10	38,894	35,043
		208,236	330,932
Investment classified as held for sale	8	42,227	-
		250,463	330,932
NON-CURRENT ASSETS			
Investments at fair value through profit or loss (FVTPL)	7	5,850	5,758
Property and equipment, net	14	52,536	53,932
Investment property	15	10,528	10,870
		68,914	70,560
TOTAL ASSETS		319,377	401,492
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	16	19,037	33,703
Due to a related party	9	-	129,389
Short term Islamic financing payable.	12	50,000	-
Provision for zakat	17	12,586	4,736
		81,623	167,828
NON-CURRENT LIABILITY			
Employee end of service benefits	18	15,462	13,798
TOTAL LIABILITIES		97,085	181,626
SHAREHOLDER'S EQUITY			
Share capital	19	150,000	150,000
Statutory reserve	20	16,300	15,918
Other reserves	18	(3,794)	(2,402)
Retained earnings		59,786	56,350
TOTAL SHAREHOLDER'S EQUITY		222,292	219,866
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		319,377	401,492

The accompanying notes from (1) to (34) form an integral part of these financial statements.

YAQEEN FINANCIAL (YAQEEN CAPITAL)
(Single Person Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 December 2022	31 December 2021
INCOME			
Commission on brokerage services	11.1	18,251	51,011
Management and subscription fee from mutual funds		23,629	25,952
Advisory services income	11.2	51,760	52,461
Fair value gain from investments at FVTPL, net	23	1,906	3,011
Other income	25	3,486	2,989
		99,032	135,424
EXPENSES			
Salaries and related benefits		(41,230)	(42,287)
Finance costs	9	(6,048)	(8,336)
Other general and administrative expenses	24	(16,944)	(12,711)
(Charge) / reversal of allowance for expected credit losses	13	(833)	686
Absorption of impairment on financial assets	9.4	(3,234)	-
Impairment loss on investment classified as held for sale	8	(10,174)	-
Loss on customers' accounts	27	(4,252)	-
		(82,715)	(62,648)
Profit before zakat		16,317	72,776
Zakat	17	(12,499)	(5,561)
Profit for the year		3,818	67,215
Other comprehensive loss			
Not to be reclassified to profit or loss in subsequent periods:			
Re-measurement loss on employee end of service benefits	18	(1,392)	(2,402)
Total comprehensive income for the year		2,426	64,813
Earnings per share:			
Basic and diluted, Profit for the year	26	0.25	4.48

The accompanying notes from (1) to (34) form an integral part of these financial statements.

YAQEEEN FINANCIAL (YAQEEEN CAPITAL)
(Single Person Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total
1 January 2022	150,000	15,918	(2,402)	56,350	219,866
Profit for the year	-	-	-	3,818	3,818
Other comprehensive loss	-	-	(1,392)	-	(1,392)
Total comprehensive income for the year	-	-	(1,392)	3,818	2,426
Transfer to statutory reserve	-	382	-	(382)	-
31 December 2022	150,000	16,300	(3,794)	59,786	222,292
1 January 2021	150,000	9,196	-	10,857	170,053
Profit for the year	-	-	-	67,215	67,215
Other comprehensive loss	-	-	(2,402)	-	(2,402)
Total comprehensive income for the year	-	-	(2,402)	67,215	64,813
Transfer to statutory reserve	-	6,722	-	(6,722)	-
Dividends (note 21)	-	-	-	(15,000)	(15,000)
31 December 2021	150,000	15,918	(2,402)	56,350	219,866

The accompanying notes from (1) to (34) form an integral part of these financial statements.

YAQEEEN FINANCIAL (YAQEEEN CAPITAL)
(Single Person Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 December 2022	31 December 2021 (restated)
Cash flows from operating activities:			
Profit before zakat for the year		16,317	72,776
Adjustments for non-cash and other items:			
Depreciation of property and equipment	14	1,818	1,823
Depreciation of investment property	15	342	294
Impairment loss on investment classified as held for sale	8	10,174	-
Fair value gain from investments at FVTPL, net	23	(1,906)	(3,011)
Provision for employee end of service benefits	18	1,570	1,185
Finance costs	9	6,048	8,336
Charge /(reversal) of allowance for expected credit losses	13	833	(686)
Absorption of impairment on financial assets	9.4	3,234	-
Other expense	27	4,252	-
Changes in operating assets and liabilities:			
Margin lending and murabaha financing		177,811	19,558
Due from related parties		2,039	(7,993)
Other assets		(12,832)	(16,842)
Accounts payable and accruals		(14,437)	11,367
Margin deposit with Muqassa		(45,263)	-
Net cash from operations		150,000	86,807
Employee end of service benefits paid	18	(1,298)	(88)
Zakat paid	17	(4,649)	(3,719)
Net cash generated from operating activities		144,053	83,000
Cash flows from investing activities:			
Purchase of property and equipment	14	(422)	(998)
Purchase of investment classified as held for sale	8	(125,607)	-
Proceeds from sale of investment classified as held for sale	8	76,067	-
Purchase of investments at FVTPL	7	(12,158)	(8,369)
Proceeds from disposal of investments at FVTPL	7	7,208	10,647
Net cash (used in) / generated from investing activities		(54,912)	1,280
Cash flows from financing activities:			
Net repayments from a related party - murabaha financing	9	(129,389)	(81,921)
Proceeds from short term Islamic financing payable.	12	50,000	-
Finance costs paid		(6,276)	(8,336)
Net cash used in financing activities		(85,665)	(90,257)
Net change in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		3,476	(5,977)
Cash and cash equivalents at the end of the year	4	33,735	39,712
Cash and cash equivalents at the end of the year	4	37,211	33,735
Supplemental non-cash information:			
Offsetting dividends payable against amount due from Falcom Holding Company	21	-	(15,000)

The accompanying notes from (1) to (34) form an integral part of these financial statements.

YAQEEEN FINANCIAL (YAQEEEN CAPITAL)
(Single Person Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 GENERAL INFORMATION

Yaqeen Financial (Yaqeen Capital) (the “Company”), (Single Person Saudi Closed Joint Stock Company), was incorporated in Kingdom of Saudi Arabia and was formed pursuant to the Ministerial Resolution number 2631 dated 10 Ramadan 1427H (corresponding to 3 October 2006). The Company operates under Commercial Registration number 1010226584, dated 4 Dhu Al Hijjah 1427H (corresponding to 25 December 2006) in Riyadh, through its two branches in the Kingdom of Saudi Arabia.

In the General Assembly meeting held on Jumada al-Ula 17, 1443H (corresponding to 21 December 2021 G), the name of the Company was changed from “Falcom Financial Services” to “Yaqeen Financial (Yaqeen Capital)”. The Company amended its Commercial Registration and the Company’s By-laws.

On 1 September 2021 (G) (corresponding to Muharram 24, 1443H), the General Assembly of the Company decided to offer 20% of the Company’s shares in the market through an Initial Public Offering (IPO). A preliminary no objection letter was received from the Capital Market Authority (“CMA”) on 5 October 2021 (G) (corresponding to Safar 28, 1443H). The IPO is subject to a final approval from CMA after submitting the IPO file.

On 12 June 2022, the Company’s Board of Directors recommended to the General Assembly a proposed increase in the share capital from SR 150 million to SR 200 million by increasing the number of shares from 15 million shares to 20 million shares. The proposed increase of SR 50 million in the share capital will be capitalized from the retained earnings. The proposed capital increase is subject to obtaining the necessary approvals from the official authorities and the General Assembly of the Company.

The Company has the following branches in the Kingdom Saudi Arabia and the results, assets and liabilities, of the following branches are included in those financial statements.

S. No	Commercial Registration Number	Date (Hijri)	City
1	2051062669	24 Ramadan 1437H	Khobar
2	4030290109	24 Ramadan 1437H	Jeddah

The address of the Company’s Head Office is as follows:

Yaqeen Financial (Yaqeen Capital)
P.O. Box 884
Riyadh 11421
Kingdom of Saudi Arabia

The Company obtained License (number 37-06020) from CMA to perform the following securities related activities:

- 1 Act as principal and agent and provide cover,
- 2 Manage and establish mutual funds and portfolios,
- 3 Provide arranging services,
- 4 Provide advisory services, and
- 5 Provide custodial services for the purposes attributable to mutual funds and management of portfolios and brokerage for international equity.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

These financial statements have been prepared on a going concern basis under historical cost basis following the accrual basis of accounting, except for financial assets at fair value through profit or loss (“FVTPL”) that have been measured at fair value and the employees’ end-of-service benefits, which have been valued by an independent actuary using the Projected Unit Credit Method as required by IFRS.

The financial year of the Company commences on 1 January and ends on 31 December of each calendar year.

The Company has used consistent accounting policies which were used for the year ended 31 December 2021, unless mentioned otherwise.

YAQEEEN FINANCIAL (YAQEEEN CAPITAL)
(Single Person Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and other short-term highly liquid deposits with maturities of three months or less from the purchase date.

2.3 Financial instruments

(a) Initial recognition

The Company initially recognises financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

(b) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(c) Measurement

At initial recognition, the Company measures financial assets at its fair value, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement comprehensive income.

Subsequent measurement of financial assets:

It depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Company classifies its debt instruments:

- (i) **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortized cost. A gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognised in statement of comprehensive income when the asset is derecognised or impaired. Profit from these financial assets is calculated based on the effective yield method.
- (ii) **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit on financial instruments (revenue) and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of comprehensive income and recognised in other income/(expense).
- (iii) **Fair value through profit or loss (FVTPL):** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss account. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss account and is not part of a hedging relationship is recognised in profit or loss account and presented net in the statement of comprehensive income within other income/(expense) in the year in which it arises.

YAQEEEN FINANCIAL (YAQEEEN CAPITAL)
(Single Person Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial instruments (continued)

(c) Measurement (continued)

Subsequent measurement of equity instrument:

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss account following the derecognition of the investment. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Dividends from such investments continue to be recognised in statement of comprehensive income as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/ (expense) in the comprehensive income as applicable.

(d) Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortized cost and FVOCI (If any).

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macroeconomic factors such as inflation and gross domestic product growth rate.

For financial assets, a credit loss is calculated as the present value (at effective profit rate) of the difference between:

- (a) the contractual cash flows that are due to an entity under the contract; and
- (b) the cash flows that the entity expects to receive.

The financial assets of the Company are categorized as follows:

1 Performing:

These represent the financial assets where Customers have a low risk of default and a strong capacity to meet contractual cash flows.

As per the management past due information is the most appropriate basis for assessing the increase in credit risk in the Company and based on their experience and analysis, the balances which are less than 60 days past due does not result in significant increase in credit risk and considered as performing.

The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

2 Underperforming:

These represent the financial assets where there is a significant increase in credit risk and that is presumed if a debtor is more than 60 days past due in making a contractual payment/ installment.

The Company measures the loss allowance for underperforming financial assets at an amount equal to life-time expected credit losses.

YAQEEEN FINANCIAL (YAQEEEN CAPITAL)
(Single Person Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial instruments (continued)

(d) Impairment of financial assets (continued)

3 Non-performing:

These represent defaulted financial assets. A default on a financial asset is considered when the debtor fails to make a contractual payment/ installment within 90 days after they fall due.

The Company measures the loss allowance for non-performing financial assets at an amount equal to life-time expected credit losses.

Financial asset is written-off only when:

- (i) that is past due at least from two years, and
- (ii) there is no reasonable expectation of recovery.

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. Where financial assets are written off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, they are credited against the (Charge) / reversal of allowance for expected credit losses "ECL".

(e) Financial liabilities - classification, measurement and de recognition

Financial liabilities are classified and subsequently measured at amortized cost using the effective yield method. The effective yield rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Company derecognises a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

f) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of comprehensive income.

Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the statement of comprehensive income.

2.4 Margin lending and murabaha financing

Margin lending and murabaha financing are recognised when cash is advanced to the borrowers. They are derecognised when either borrower repays their obligations, or the balance is sold or written-off, or substantially all the risks and rewards of ownership are transferred to other party. These facilities are advanced to customers for the purpose of investments and trading in shares.

Margin lending and murabaha financing are carried at the amount advanced to the customers, including related transaction cost less any allowance for credit losses, if any. An allowance against expected credit losses incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. A macroeconomic adjustment is applied in order to incorporate forward looking outcome.

YAQEEEN FINANCIAL (YAQEEEN CAPITAL)
(Single Person Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Investment management services

The Company offers investment services to its customers which include management of certain investment funds. The Company's share of these funds is included in investment mutual funds. Assets held in trust or in a fiduciary capacity, if any, are not treated as assets of the Company and, accordingly, are not included in the financial statements.

2.6 Settlement date accounting

All regular-way purchases and sales of financial assets are recognised and derecognised on the settlement date, i.e. the date the asset is delivered to/or received from the counter party. The Company accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular-way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the marketplace.

2.7 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets, other than goodwill, that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognised to (charge) / reversal of impairment for non-financial assets in the statement comprehensive income.

2.8 Foreign currency translations

(a) Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR) which is the functional currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.9 Borrowing cost

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other financing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

2.10 Zakat

The Company is subject to zakat in accordance with the regulations of zakat and Income Tax. Provision for zakat is charged to the profit or loss section of the statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes, if any, on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under the Tax Law.

YAQEEEN FINANCIAL (YAQEEEN CAPITAL)
(Single Person Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Provisions

Provisions are recognised when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.12 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation on assets is charged to the statement of comprehensive income, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

Buildings and freehold improvements	3-40 years
Leasehold improvements	useful life or lease term whichever is shorter
Furniture and fixtures	4-5 years
Motor vehicles	5 years
Computers	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in statement comprehensive income.

Maintenance and normal repairs, which do not materially extend the estimated useful life of an asset, are charged to the statement comprehensive income as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.13 Investment property

Investment property is held to earn rentals or for capital appreciation rather than for use in the Company purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses if any, except for land which is carried at cost. Depreciation on investment property is charged to the statement of comprehensive income, using the straight-line method based on the following estimated useful lives:

Investment property	40 years
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Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in statement of comprehensive income.

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment. Its fair value as at the date of reclassification becomes its cost for subsequent accounting purposes. If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item as at the date of transfer is treated in the same way as a revaluation under IAS 16.

The fair value of investment property (as disclosed in note 15.1) is based on a valuation by an independent valuer, as engaged by the Company, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

2.14 Revenue

The revenue of the Company broadly categorised as:

- (a) Contract with customers (including brokerage income, investment banking and asset management fees)
- (b) Dividend income
- (c) Trading income / (loss)

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Revenue (continued)

The related accounting policies are follows:

1 Contracts with customers (including brokerage income, investment banking and asset management fees)

The Company recognises revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Company recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Based on the above five steps the revenue recognition policy for each revenue stream is as follow:

Brokerage income

Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Company is satisfied when the Company carries out the transaction, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

Asset management fees

Asset management fees are recognised based on a fixed percentage of net assets under management (“asset-based”), or a percentage of returns from net assets (“returns-based”) subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the year, because the fee relates specifically to the Company’s efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised.

2 Dividend income

Dividend income is recognised when the right to receive the income is established.

3 Trading income/ (loss)

Results arising from trading activities include all gains and losses from changes in fair values and disposal of investments.

Other income

Rental income

Rental income receivable from operating lease of the property is recognised on a straight-line basis over the term of the lease.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Special commission income on Murabaha contract receivable

Special commission income for all special commission bearing financial instruments (Murabaha contract receivables) are recognised in the statement comprehensive income using the effective commission rate basis. The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective commission rate, Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The carrying amount of the financial asset is adjusted if Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective commission rate and the change in carrying amount is recorded as impairment losses.

If a financial asset subsequently becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of.

the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

The calculation of the effective yield takes into account all contractual terms of the financial instruments (Murabaha contract receivables) and includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective special commission rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset.

2.16 Leases

Right of use asset ("RoU") / lease liabilities

On initial recognition at the inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of use assets

The Company applies cost model and measures the right of use asset at cost;

- (a) Less any accumulated depreciation and any accumulated impairment losses; and
- (b) Adjusted for any re-measurement of the lease liability for lease modifications

Generally, the RoU asset would equate to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Company measures the lease liability by:

- 1 Increasing the carrying amount to reflect the interest on the lease liability;
- 2 Reducing the carrying amount to reflect the lease payments made; and
- 3 Re-measuring the carrying amount to reflect any re-assessment or any lease modification.

Short-term and low values leases

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Statutory reserve

As required by Saudi Arabian Regulations for Companies and the Company's By-laws, 10% of profit for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals at least 30% of the share capital. The reserve is not available for distribution.

2.18 Expenses

Expenses, other than employee's costs and financial charges are classified as general and administrative expenses.

2.19 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable.

2.20 Dividends

Dividends are recorded in the financial statements in the year in which they are approved by the shareholder of the Company.

2.21 Critical accounting estimates and adjustments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

Employees' terminal benefits liabilities

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions.

and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. For details of the assumptions please refer (note 18.1).

Economic useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Company periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Provision for zakat

The calculation of the Company's zakat charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits and losses and/or cash flows.

Impairment losses on trade and other receivables

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit loss (ECL). The allowance for ECL on trade and other receivables is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Critical accounting estimates and adjustments (continued)

Investment property

Investment property is held to earn rentals or for capital appreciation rather than for use in the Company purposes.

IAS 40 requires management to perform impairment assessment and disclose the fair value of the investment property in the financial statements. For details please refer (note 2.13).

3 APPLICATION OF NEW AND REVISED STANDARDS

3.1 New standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 but they had no material impact on these financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Cost of Fulfilling a Contract Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021)

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions.

Annual Improvements to IFRS Standards 2018–2020

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

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3 APPLICATION OF NEW AND REVISED STANDARDS (continued)

3.1 New standards (continued)

Annual Improvements to IFRS Standards 2018–2020 (continued)

- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

3.2 Standards issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early, and they do not have a significant impact on those financial statements.

The most significant of these are as follows:

Standards	Title	Effective date
IFRS 4	Insurance Contracts-Amendments regarding the expiry date of the deferral approach	1 January 2023
IAS1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	1 January 2024
IFRS 16	Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024
IAS1	Narrow scope amendments to IAS1 , Practice statement 2 and IAS 8	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17	1 January 2023
IAS 8	Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
IFRS 10 & IAS 28	Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	Deferred

4 CASH AND CASH EQUIVALENTS

		31 December 2022	31 December 2021
Cash in hand		43	46
Cash at banks	4.1	37,168	33,689
Total cash and cash equivalents		37,211	33,735

4.1 Amount comprises cash at bank in current accounts.

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5 MARGIN DEPOSIT WITH MUQASSA

As at 31 December 2022, the Company had a restricted cash balance of SR 45 million (31 December 2021: nil) deposited with the Securities Center Company (“Muqassa”) which acts as an intermediary between two parties to a securities trade. Muqassa is responsible for the settlement of the transaction and the trading parties eliminate counterparty risk. Muqassa requires the Company to have margin and default fund contributions that are calculated based on trading activities as an exchange member for the past one year. Therefore, the Company has deposited SR 45 million with Muqassa and they are currently restricted.

6 MARGIN LENDING AND MURABAHA FINANCING

	Note	31 December 2022	31 December 2021
Margin lending	6.1, 6.3	38,502	255,301
Murabaha financing	6.2, 6.3	38,988	-
Allowance for expected credit losses	6.3	(1,742)	-
		75,748	255,301

6.1 The Company provides margin lending facilities to certain clients for dealing in the local stock market through the Company. The Company has the option to liquidate the client's investment portfolio to ensure repayment of the lending amount in case of default. These facilities have tenure up to a maximum period of three months. Such lending does not bear any commission or charges. The reduction in the margin lending is due to the settlements made by the certain clients during the current year.

6.2 The Company provides murabaha financing to acquire shares for a limited period through the Company. The Company has the option to liquidate the client's investments portfolio to ensure repayment of the murabaha amount in case of default. Such financing bears a pre-agreed profit margin.

6.3 All the balances at the year end were classified as performing and current and except for Saudi Riyals 1.7 million which is provided for fully. The Company has the option to liquidate the client's investment portfolio to ensure repayment of the lending amount in case of default. Outstanding amounts are subsequently settled within the tenure of the facilities. The facilities are fully collateralized. The Company is continuously monitoring the market value of the collateral of each customer and the Company has stop loss measure in case if its value falls by 25% of the original value of the portfolio, then the Company liquidate the investment up to the amount lent. If the proceeds from the disposal of the investment is below the carrying value, the borrower is followed up to recover the difference. During the year ended 31 December 2022, the Company has performed an impairment assessment for the outstanding balances and recorded the provision of Saudi Riyals 1.7 million on margin lending.

6.4 The Company business model for Margin lending and Murabaha financing is to hold assets to collect contractual cash flows. The Company has assessed that those financial instruments' cash flows represent solely payment of principal and interest (the “SPPI” test). The Company has considered whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

7 INVESTMENTS AT FAIR VALUE AT PROFIT OR LOSS (FVTPL)

	31 December 2022	31 December 2021
FVTPL		
Current		
Yaqeen Saudi Equity ETF fund (level 1)	7,585	2,205
Yaqeen Petrochemical ETF fund (level 1)	2,797	4,274
Total	10,382	6,479
Non-current		
Yaqeen Gold Fund (level 2)	3,592	3,625
Arar Hills Fund (level 3)	1,064	988
Murabaha Financing Fund (level 3)	1,194	1,145
Total	5,850	5,758
Total investments at FVTPL	16,232	12,237

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7 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (continued)

Movement in the investments at FVTPL is as follows:

	31 December 2022	31 December 2021
Opening balance	12,237	11,504
Additions	12,158	8,369
Proceeds from disposal of investments at FVTPL	(7,208)	(10,647)
(Loss) / gain on investments at FVTPL, net	(955)	3,011
Total	16,232	12,237

8 INVESTMENT CLASSIFIED AS HELD FOR SALE

During the year the Company entered an agreement where it acted as an Underwriter for Gulf Union Cooperative Insurance Company during their rump offering and allocation of rights issue shares. A total of 22.9 million shares were offered, 6.2 million shares were sold during the trading and subscription period, and 4.18 million shares were sold to the institutional investors. The unpurchased shares of 12.5 million shares were covered by the underwriter, Yaqeen Financial (Yaqeen Capital). As a result, Yaqeen Financial (Yaqeen Capital) owned 27.37% in Gulf Union Cooperative Insurance Company. The cost of the investment in Gulf Union Cooperative Insurance Company was SR 125.6 million.

The 27.37% investment in Gulf Union Cooperative Insurance Company was initially classified as an investment in associate but since it was acquired exclusively with a view to its subsequent disposal, this investment was classified as a non-current asset held for sale at the acquisition date in accordance with the requirements of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. An impairment loss of SR 10.17 million was recorded when the investment was accounted for as a non-current asset held for sale.

As per the plan, the Company started to liquidate the acquired investments. On 13 July 2022, the Company sold 2,227,000 shares at Saudi Riyals 10 per share through a private deal, CMA and the Saudi Central Bank (SAMA) were notified. On 23 August 2022, the Company sold 1,880,620 shares at Saudi Riyals 10 per share through a private deal. On 8 September 2022, the Company sold 144,648 shares from its outstanding shares in Gulf Union Cooperative Insurance Company through a private deal for a price of SR 10 per share in a total amount of SR 1,446,480 million. On 20 November 2022 the Company sold 1.87 million shares from its outstanding shares in Gulf Union Cooperative Insurance Company through private deals for a price of SR 10 per share in a total amount of SR 18.7 million. Furthermore, on 24 November 2022 the Company sold 1.5 million shares from its outstanding shares in Gulf Union Cooperative Insurance Company through a private deal for a price of SR 10 per share in a total amount of SR 15 million.

During 2022, Yaqeen Financial (Yaqeen Capital) ownership in Gulf Union Cooperative Insurance Company decreased from 27.37% to 10.765%. Due to the reduction in the ownership to 10.765%, the Company ceases to have the significant influence in Gulf Union Cooperative Insurance Company. Therefore, the investment ceased to be measured in accordance with IFRS 5 and is now measured in accordance with the requirements of IFRS 9 – Financial instruments, as an investment at fair value through profit or loss.

Below is the movement in the investment at 31 December 2022:

	31 December 2022	31 December 2021
Opening balance	-	-
Purchase of investment classified as held for sale	125,607	-
Proceeds from sale of investment classified as held for sale	(76,067)	-
Fair value gain from investment at FVTPL	2,861	-
Impairment loss on investment classified as held for sale	(10,174)	-
Fair value of investment classified as held for sale	42,227	-

The fair value gain is included in the Fair value gain from investments at FVTPL, net, in the statement of comprehensive income.

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9 RELATED PARTY

In the ordinary course of business, the Company enters into transactions with its related parties and these transactions are based on the agreed terms. The principal parties of the Company are Falcom Holding Company, investment funds managed by the Company and its affiliate (The entities owned by the Parent Company, which is Falcom Holding Company), executive members of Company's Board of Directors, key management personnel and companies of which these related parties are principal owners. Related party balances were as of 31 December 2022 and 31 December 2021 were as follows:

Related Party name and Nature of balance outstanding	Relationship	Notes	31 December 2022	31 December 2021
Due from related parties				
Fal Holding Company – Rent receivables	Affiliate		975	3,379
Falcom Holding Company – Rent receivables	Parent Company		724	-
Al Amthal Financing Company – Rent receivables	Affiliate		14	-
Warehouse Logistic Company– Rent receivables	Affiliate		-	274
Yaqeen for Private Equity – Other receivables	Investment fund		-	63
Nayifat Finance Company – Rent receivables	Affiliate		-	37
Provision for doubtful accounts		9.1	(975)	(3,379)
			738	374
Due to a related party				
Yaqeen Murabaha SAR Fund –Murabaha financing	Investment fund	9.2	-	129,389
			-	129,389
Other assets				
Investment Funds-Accrued management fee and other receivables	Investment funds	9.3	16,232	15,772
Employees end of service benefits	directors and key management personnel		5,586	3,924

9.1 During 2020, the management provided 100% against the long outstanding balance receivable from Fal Holding Company amounting to SR 3,379 million. During the year ended 31 December 2022, the Company received an amount of SR 2.4 million from FAL Holding Company against the outstanding receivables and accordingly the provision is reversed for the collected amount.

9.2 This represents Murabaha financing from Yaqeen Murabaha SAR Fund, a fund managed by the Company bearing a commission at an average rate of 4.5% with a tenor of 3 months. The Company has repaid the financing amount in full during 2022. The movement in the borrowing is as follows:

	31 December 2022	31 December 2021
Opening balance	129,389	211,310
Repayments	(556,621)	(777,898)
Additions	427,232	695,977
Closing balance	-	129,389

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9 RELATED PARTY (continued)

9.3 This includes SR 17.4 million (31 Dec 2021: SR 15.8 million) accrued management fee and other receivables due from related parties majorly from Arar Hills Fund and Yaqeen Murabaha Fund included as part of other assets (Note 10).

(a) Significant related party transactions during the year were as follows:

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

	Note	31 December 2022	31 December 2021
a) Falcom Holding Company – Parent Company:			
Expenses related to the Falcom Holding Company		-	(885)
Dividends off-set	21	-	(15,000)
Rental income	25	1,837	1,384
Purchase of Gulf Union Cooperative Insurance Company Shares		22,231	-
b) Affiliates:			
Rental income	25	1,128	1,605
Advertising and brochures		-	66
Advisory services income	11.2	200	-
Commission on brokerage services		-	221
Management and subscription fee from mutual funds		353	-
c) Investment funds:			
Management fees from mutual funds	10.1	23,655	25,589
Yaqeen Murabaha financing fund - Absorption of impairment on financial assets	9.4	(3,234)	-
Finance costs	9.2	(6,048)	(8,336)
Mutual fund subscription		188	363
d) Directors and key management (*)			
Key management compensation		(9,763)	(14,913)
Directors' remunerations and related committees		(3,115)	(3,149)

9.4 This represents absorption of impairment losses on financial assets held by Murabaha Financing Fund managed by the Company. The Company has passed a resolution on 29 June 2022 for the absorption of impairment losses amounting to SR 7.26. Subsequently, the Company recovered an amount of SR 4.1 million from the fund accordingly adjusted the absorption loss.

(*) Key management personnel are those persons, including executive directors, having authority and responsibility for planning, directing and controlling the activities at the Company level.

9.5 During the year 2017, the Company has transferred the ownership of the Fal Industrial City Company to Falcom Holding Company through investments transition transaction. However, the Article of Association of the investee company is not yet updated since the transition transaction date.

10 OTHER ASSETS

	Note	31 December 2022	31 December 2021
Advances and accounts receivable		20,776	16,552
Commission and fees receivables	10.1	17,407	16,351
Prepaid expenses		1,720	1,472
Loans to employees		1,061	1,243
Allowance for doubtful accounts	10.2	(2,070)	(575)
		<u>38,894</u>	<u>35,043</u>

10.1 This includes SR 17.4 million (31 December 2021: SR 15.8 million) accrued management fee and other receivables due from related parties majorly from Arar Hills Fund and Yaqeen Murabaha Fund.

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10 OTHER ASSETS (continued)

10.2 The Company has made the provision against receivables from an Investment Banking Group (IBG) client. Receivables are only written-off when there is no reasonable expectation of recovery. During the year ended 31 December 2022, the Company has provided additional provision on receivables from IBG and has charged an amount of SR 1.5 million to the statement of comprehensive income.

11 INCOME

11.1 The commission and brokerage fees have decreased significantly during 2022 comparing to 2021 due to the reduction in the total value of shares traded and the reduction in margin lending during the year ended 31 December 2022.

11.2 The advisory services income has slightly decreased during the current year comparing to corresponding year due to the slight reduction in the advisory services for the initial public offering, financial restructuring etc.

12 SHORT TERM ISLAMIC FINANCING PAYABLE.

On 29 December 2022 the company has obtained short term Islamic financing from local bank with a total amount of SR 50 million (2021: nil) to finance its lending book. The rate of this loan is three-months average SIBOR plus 2%. The amount of the loan is secured by the Company's Head Office building (also refer to note 14). The agreements include covenant to maintain a minimum actual market value coverage of the head office building of 120% of the total facility value and the Company was in compliance with this covenant at 31 December 2022.

13 (CHARGE) / REVERSAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES

	Note	31 December 2022	31 December 2021
Charge of allowance for expected credit losses for Margin lending and murabaha financing	6	(1,742)	-
Reversal of allowance for expected credit losses for due from related parties	9.1	2,404	686
Charge of allowance for expected credit losses for accounts receivable	10.2	(1,495)	-
		<u>(833)</u>	<u>686</u>

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14 PROPERTY AND EQUIPMENT, NET

	Land, buildings and freehold improvements *	Leasehold improvements	Furniture and fixtures	Motor vehicles	Computers	Total
2022						
Cost:						
1 January 2022	65,222	324	13,321	114	29,034	108,015
Additions	-	-	173	-	249	422
Disposals	-	-	(1,561)	-	-	(1,561)
31 December 2022	65,222	324	11,933	114	29,283	106,876
Accumulated depreciation:						
1 January 2022	12,779	324	13,108	114	27,758	54,083
Charge for the year	1,165	-	116	-	537	1,818
Disposals	-	-	(1,561)	-	-	(1,561)
31 December 2022	13,944	324	11,663	114	28,295	54,340
Net book value at:						
31 December 2022	51,278	-	270	-	988	52,536
2021						
Cost:						
1 January 2021 – as restated	70,666	324	13,260	114	28,293	112,657
Additions	196	-	61	-	741	998
Transfers to investment property (note 15)	(5,640)	-	-	-	-	(5,640)
31 December 2021	65,222	324	13,321	114	29,034	108,015
Accumulated depreciation:						
1 January 2021 – as restated	13,063	324	13,007	114	27,243	53,751
Charge for the year	1,207	-	101	-	515	1,823
Transfers to investment property (note 15)	(1,491)	-	-	-	-	(1,491)
31 December 2021	12,779	324	13,108	114	27,758	54,083
Net book value at:						
31 December 2021	52,443	-	213	-	1,276	53,932

14.1 At 31 December 2022, land, buildings and freehold improvements with a net carrying value of SR 51.3 million (2021: SR 52.4 million) have been pledged as collateral for short term Islamic financing payable. (also refer to note 12).

* This included land with a carrying value as of 31 December 2022 of SR 20 million (2021: SR 20 million).

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15 INVESTMENT PROPERTY

	31 December 2022	31 December 2021
Cost		
Opening balance	15,070	9,430
Transfers from property and equipment (note 14)	-	5,640
Closing balance	15,070	15,070
Accumulated depreciation		
Opening balance	4,200	2,415
Transfers from property and equipment (note 14)	-	1,491
Charge for the year	342	294
Closing balance	4,542	4,200
Net book value	10,528	10,870

The Company owns fully the Head Office building. The Company has leased a part of the building to Falcom Holding Company (Parent Company), Nayifat Financing Company, Al Amthal Financing Company, and Warehouse Logistic Company (related parties), therefore this leased part has been classified to "Investment property". The Company's rental income is amounting to SR 3.48 million (2021: SR 2.99 million). The Company measures investment property at cost.

15.1 Fair value of property

As of 31 December 2022, the average fair value of the property, estimated by three independent evaluators is SR 12 million. The fair value of the property was determined by Taqueem certified valuers in accordance with Taqueem Regulations (Saudi Authority for Accredited Valuers) in conformity with the International Valuation Standards Council (IVSC's) and International Valuation Standards. The Company's real property fair value is classified under Level- 2 of fair value hierarchy. The evaluator used 'market approach' for the valuation of property as of 31 December 2022.

16 ACCOUNTS PAYABLE AND ACCRUALS

	31 December 2022	31 December 2021
Accounts payable	6,651	5,708
Accrued sales incentives	6,033	10,946
Accrued expense to the Board of Directors'	2,771	2,858
VAT payable	1,742	2,504
Accrued employee bonus	1,208	5,123
Accrued expense	573	6,119
Accrued finance costs	-	228
Others	59	217
	19,037	33,703

17 ZAKAT

17.1 Components of zakat base

The significant components of the zakat base of Company under zakat and income tax regulations are principally comprised of shareholder's equity, provisions at the beginning of year, long-term borrowings and estimated taxable income, less deduction for the net book value of property and equipment, investment property, investments, and certain other items.

	31 December 2022	31 December 2021
Balance at the beginning of the year	4,736	2,894
Provision for the year	5,145	5,561
Provision for prior years zakat assessments	7,354	-
Payments during the year	(4,649)	(3,719)
Closing balance at the end of the year	12,586	4,736

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17 ZAKAT (continued)

17.2 Status of assessments

The Company has submitted its zakat declarations with the Zakat, Tax and Customs Authority (“ZATCA”) up to the year ended 31 December 2021. And prior year assessments are summarized as follows:

i. For the years from 2012 to 2016

During 2019, the ZATCA has issued its final zakat assessments for the years 2012 to 2016 requesting the Company to settle additional zakat liability amounting to SR 9.4 million for the above years. The Company has appealed against such assessments at the Higher Appeal Committee following the ruling issued by the preliminary appeal committee earlier, which upheld ZATCA’s decision. Subsequently in 2023, the Company received a final resolution from GSTC in which they rejected most items in the Company’s appeal. Therefore, the Company has assessed the impact of the zakat assessments and has recorded an amount of SR 7.35 million in the statement of comprehensive income for the assessment.

ii. For the years from 2017 to 2018

During 2020, the ZATCA has issued its final zakat assessments for the years 2017 and 2018 requesting the Company to settle additional zakat liability amounting to SR 3 million for the above years. The Company has accepted ZATCA’s treatment in relation to certain items and settled the respective zakat due amounting to SR 0.8 million and filed appeal against the remaining additional zakat liability. ZATCA has accepted Company’s contention and issued its revised assessment with no additional zakat liability for the years 2017 and 2018.

Falcom Holding Company (Parent Company) made an undertaking to bear any future additional amounts of zakat imposed by ZATCA on the Company in relation to previous years and up to date of listing.

18 EMPLOYEE END OF SERVICE BENEFITS

	31 December 2022	31 December 2021
January 1	13,798	10,299
Provision for the year	1,570	1,185
Payments during the year	(1,298)	(88)
Remeasurement loss	1,392	2,402
December 31	15,462	13,798

18.1 Key actuarial assumptions

	31 December 2022	31 December 2021
End of service benefits:		
Discount rate	4.65%	2.30%
Salary growth rate	4.65%	2.30%
Rate of employee turnover	High	High

18.2 Sensitivity analysis for actuarial assumptions

	Increase / (decrease) in assumption	Impact on employee benefit obligations	
		31 December 2022	31 December 2021
End of service benefits:			
Discount rate	+ 0.5%	(443)	(483)
	-0.5%	466	516
Salary growth rate	+ 0.5%	464	513
	-0.5%	(445)	(485)

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18 EMPLOYEE END OF SERVICE BENEFITS (continued)

18.2 Sensitivity analysis for actuarial assumptions (continued)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee end of service benefits.

18.3 Maturity Profile of employee end of service benefits

The weighted average duration of the employees' end of service benefits is 5.8 years. The expected maturity analysis of undiscounted employees' end of service benefits is as follows:

	31 December 2022	31 December 2021
2022	-	1,867
2023	2,808	1,671
2024	2,946	1,563
2025	2,584	1,506
2026	2,441	1,441
2027 thereafter	15,027	6,352
	25,806	14,400

19 SHARE CAPITAL

The authorized and paid-in capital of the Company as of 31 December 2022 is SR 150 million (December 31, 2021: SR 150 million) divided into 15 million shares of SR 10 each.

The list of shareholders as of 31 December 2022 and 2021 were as follows:

Name of shareholder	Percentage	Number of shares	Share capital in Saudi Riyal
31 December 2022			
Falcom Holding Company	100%	15,000,000	150,000,000
31 December 2021			
Falcom Holding Company	100%	15,000,000	150,000,000

20 STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia and the Company's By-laws, the Company is required to set aside a statutory reserve, after absorption of accumulated losses, by the appropriation of 10% of net income until the reserve equals at least 30% of the share capital. This reserve is not available for distribution to the shareholder.

21 DIVIDENDS

During the year ended 31 December 2022, the shareholder approved the dividends of SR nil per share (2021: SR 0.1 per share) amounting to SR nil (2021: SR 15 million). During 2021, the management has off-set the dividend payable against the balance receivable for Falcom Holding Company (Parent Company).

22 CONTINGENCIES AND COMMITMENTS

Except for zakat (Note 17), there were no contingent liabilities as at 31 December 2022 and 2021.

There are no capital commitments as at 31 December 2022 and 2021.

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23 FAIR VALUE GAIN FROM INVESTMENTS AT FVTPL, NET

		31 December 2022	31 December 2021
(Loss) / gain from investments at FVTPL, net	7	(955)	3,011
Fair value gain from investment at FVTPL	8	2,861	-
		1,906	3,011

24 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	Note	31 December 2022	31 December 2021
Utilities and communication expenses		7,364	5,405
Legal and professional charges		2,378	1,754
Depreciation of property and equipment	14	1,818	1,823
Electricity		986	886
Rental and premises related expenses		670	614
Marketing expenses		552	274
Depreciation of investment property	15	342	294
Insurance		338	392
Other		2,496	1,269
		16,944	12,711

25 OTHER INCOME

The balance of SR 3.4 million (31 December 2021: SR 2.9 million) includes rental income for building of the Head Office. The Company owns fully the Head Office and has leased a part of the building to Falcom Holding Company (Parent Company), Nayifat Financing Company, Al Amthal Financing Company (affiliates) and Warehouse Logistic Company.

26 EARNINGS PER SHARE

Earnings per share were calculated by dividing net income for the year by the weighted average of the shares outstanding during the year of 15 million shares (2021: 15 million shares).

	31 December 2022	31 December 2021
Earnings per share:		
Basic and diluted, Profit for the year	0.25	4.48

27 CUSTOMERS' ACCOUNTS

Customers' accounts balances:

These comprise the accounts of brokerage customers in local shares maintained with Banque Saudi Fransi amounting to SR 275 million at 31 December 2022 (2021: SR 375 million). These accounts are not included in these financial statements in accordance with Article (71) of "Capital Market Institutions" (previously known as "Authorised Persons") by the Capital Market Authority Board's resolution No. 1-83-2005 issued on 21/5/1426H (corresponding to June 28, 2005) and pursuant to the Capital Market Authority regulations enacted by Royal Decree No. M/30 dated 2/6/1424H.

Loss on customers' accounts:

In line with its ongoing commitment to advance the Saudi capital market, Saudi Tadawul Group introduced a bundle of new post trade infrastructure enhancements during the year that were launched across Saudi Exchange, the Securities Clearing Centre Company ("Muqassa") and the Securities Depository Center Company ("Edaa"). In April 2022, the Company implemented a new system at the same time implementing the new enhancements as mentioned above in the market called Post-trade Technology Program ("PTTP").

Since the system was newly implemented during the year, management faced certain configuration issues due to which, during the reconciliation process on the client money accounts, a difference arose from the reconciliation which indicates that there is a need to have a greater amount of money in the relevant client accounts. In compliance with Article (80) (e) of "Capital Market Institutions" the Company has paid the difference from its own money into the client money accounts and as it is not possible to determine from whom to recover the funds, the amounts have been expensed. Subsequently in 2023, the Company was able to recover an amount of SR 300K from certain clients and will continue to pursue collection of the remaining amount where possible.

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28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Effective risk management is of primary importance to the Company. Risks include market risk (primarily foreign exchange risk, price risk and commission rate risk), credit risk, liquidity risk, and operational risk. The Company ensures that it is conservatively capitalized relative to its risk levels, as well as external requirements and benchmarks.

Financial instruments carried on the balance sheet include cash and bank balances, margin lending and murabaha financing, other assets, investments at FVTPL – current, investments at FVTPL non-current, accounts payable and accruals, due to a related party (Short-term murabaha financing) and bank loan. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and financial liabilities are offset, and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

28.1 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

a) Commission rate risk

Commission rate risk is the impact on future earnings of the Company resulting from increase in the market interest/ commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to interest rate adjustment within a specified period. The most important source of such risk is the Company's short term Islamic financing payable. Since short term Islamic financing payables has a short term nature the increase or decrease in market interest / commission rates is not significant. and therefore, there is no significant commission rate risk as at balance sheet date. The Company financing receivables and other financial liabilities are at fixed rates and are carried in the financial statements at amortized cost, hence there is no commission rate risk as at balance sheet date.

	Within 3 months	3-12 months	Over 1 year	Non-commission bearing	Total
Commission rate risk					
31 December 2022					
Assets					
Cash and bank balances	-	-	-	37,211	37,211
Margin lending and murabaha financing	-	38,988	-	36,760	75,748
Other assets	-	-	-	38,894	38,894
Investments at FVTPL – current	-	-	-	10,382	10,382
Investments at FVTPL – non-current	-	-	-	5,850	5,850
Investment classified as held for sale	-	-	-	42,227	42,227
Total financial assets	-	38,988	-	171,324	210,312
Accounts payable and accruals	-	-	-	6,651	6,651
Short term Islamic financing payable.	-	50,000	-	-	50,000
Due to a related party (Short-term murabaha financing)	-	-	-	-	-
Total financial liabilities	-	50,000	-	6,651	56,651

	Within 3 months	3-12 months	Over 1 year	Non-commission bearing	Total
Commission rate risk					
31 December 2021					
Assets					
Cash and bank balances	-	-	-	33,735	33,735
Margin lending and murabaha financing	-	255,301	-	-	255,301
Other assets	-	-	-	32,903	32,903
Investments at FVTPL – current	-	-	-	6,479	6,479
Investments at FVTPL – non-current	-	-	-	5,758	5,758
Total financial assets	-	255,301	-	78,875	334,176
Accounts payable and accruals	-	-	-	5,708	5,708
Due to a related party (Short-term murabaha financing)	-	129,389	-	-	129,389
Total financial liabilities	-	129,389	-	5,708	135,097

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not material. Since the SAR is pegged to US Dollar, therefore, there is no foreign exchange risk.

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28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.2 Credit risk

The Company is exposed to credit risk as a result of the counterparty's failure to meet its contractual obligations when due, in respect of:

- Margin lending and murabaha financing
- Due from related parties
- Cash at bank
- Other assets
- Margin deposit with Muqassa

Credit risk is the risk that the Company will incur a financial loss as a result of the failure of the customer or counterparty to a financial instrument to fulfil its contractual obligations. Credit risk arises from cash and cash equivalents as well as credit exposures to other assets, balances due from related parties, Margin lending, murabaha financing and Margin deposit with Muqassa.

Exposure

Cash and cash equivalents are deposited with the Bank, which has sound credit ratings. Margin deposit with Muqassa is deposited with Muqassa which is a regulatory related entity. The receivables relate to Margin lending and murabaha financing portfolios and have adequate coverage ratios. The portfolios are closely monitored, and any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Company's exposure is sufficiently collateralized. Other assets mainly comprise of fees receivables and receivables relate to investment banking group. The fees receivables mainly relate to amounts due from the counterparties on quarterly basis and are settled within a short period of time. The receivables related to the investment banking group are closely monitored by the Company and specific controls are being applied in accordance with the Company policies and procedures. The carrying amount of financial assets represents their maximum credit exposure. Allowance for expected credit losses on financial assets recognized in the statement of comprehensive income for 31 December 2022 amounted to SR 833 thousand.

Revenues are settled mainly in cash for commission income therefore the related credit risk is minimal. For other receivables, the Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are then assigned.

For banks and financial institutions, only independently rated parties with a minimum rating of A2 are accepted. Therefore, the ECL on cash and cash equivalents is immaterial.

The Company has kept cash and cash equivalents in reputable banks and financial institutions, so the expected credit losses of cash and cash equivalents as at 31 December 2022 amounted to nil (31 December 2021: nil). The cash at banks as at 31 December 2022 is SR 37.2 million (31 December 2021: SR 33.7 million). For banks and financial institutions, only independently rated parties with a minimum rating of A2 are accepted.

The credit ratings of banks in which the Company holds cash as at 31 December are as follows:

	31 December 2022	31 December 2021
Moody's Credit rating		
A2	37,168	33,689

Trade receivables are shown net of allowance for expected credit losses. The Company applies the IFRS 9 simplified approach for measuring expected credit losses on trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The ECL on trade receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, days past due, expected recovery, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate, and an assessment of both the current as well as the forecast direction of conditions at the reporting date. A significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments after 90 days of when they fall due. Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery.

Due from related parties amounting to SR 738 thousand are expected to be settled within the next 12 months. Related party receivables are callable overnight if payment is required earlier. Given the short life of the receivable and the fact they are with intercompany entities with no history of default, the related party balance considered to have low credit risk, therefore ECL is expected to be negligible on these receivables.

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28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.2 Credit risk (continued)

ECL for receivables against margin lending and murabaha financing is SR 1.7 million (2021:nil), the Company holds equity instruments of customers as collateral against margin lending and murabaha receivables which are carried at amortised cost. The Company uses those collaterals as part of the loss given default "LGD" calculation. The value of collateral is regularly monitored by the Company to ensure that it is sufficient to cover the exposure of margin lending and murabaha financing receivables. As part of the ongoing monitoring of margin lending and murabaha financing receivables, the Company has stop loss measure in case if its value falls by 25% of the original value of the portfolio, then the Company liquidate the investment up to the amount lent.

There are no significant concentrations of credit risk, whether through exposure to individual customers and specific industry sectors. The nature of businesses of the Company does not expose it to credit concentration risk.

Management analyses credit risk in the following categories:

Credit quality analysis

The following table sets out the credit analysis for financial assets:

	Investment grade	Non-investment grade	Unrated	Total
31 December 2022				
Financial assets				
Cash and bank balances	37,211	-	-	37,211
Margin lending and murabaha financing	-	-	75,748	75,748
Other assets	-	-	38,894	38,894
Margin deposit with Muqassa	-	-	45,263	45,263
Total	37,211	-	159,905	197,116
31 December 2021				
Financial assets				
Cash and bank balances	33,735	-	-	33,735
Margin lending and murabaha financing	-	-	255,301	255,301
Other assets	-	-	32,903	32,903
Total	33,735	-	288,204	321,939

The credit quality of the above financial assets is based on external credit rating agencies. For unrated financial assets the credit quality of financial assets is determined by the customers' history of meeting commitments, market intelligence related information and management's trade experience.

The credit risk exposure for receivable against margin lending and murabaha financing by geographic region is as follows:

	31 December 2022	31 December 2021
Saudi Arabia	75,748	255,301

The credit risk exposure for receivables against margin lending and murabaha financing by type of customer representing only retail clients as at 31 December 2022 and 2021.

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28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial obligation. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Below are the amounts expected to be recovered or settled no more than 12 months and those more than 12 months after the reporting date.

	31 December 2022	31 December 2021
ASSETS		
Less than 12 months		
Cash and bank balances	37,211	33,735
Margin deposit with Muqassa	45,263	-
Margin lending and murabaha financing	75,748	255,301
Investments at fair value through profit or loss (FVTPL)	10,382	6,479
Investment classified as held for sale	42,227	-
Due from related parties	738	374
Other assets	38,894	35,043
	250,463	330,932
More than 12 months		
Investments at fair value through profit or loss (FVTPL)	5,850	5,758
Property and equipment, net	52,536	53,932
Investment property	10,528	10,870
	68,914	70,560
	31 December 2022	31 December 2021
LIABILITIES		
Less than 12 months		
Accounts payable and accruals	19,037	33,703
Due to a related party	-	129,389
Short term Islamic financing payable.	50,000	-
Provision for zakat	12,586	4,736
	81,623	167,828
More than 12 months		
Employee end of service benefits	15,462	13,798
	15,462	13,798

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances, unless material, as the impact of discounting is immaterial.

31 December 2022	Less than 1 year	Total
Accounts payable and accruals	6,651	6,651
Short term Islamic financing payable.	50,000	50,000
Due to a related party (Short-term murabaha financing)	-	-
End of service less than 12 months (note 18)	2,808	2,808
	59,459	59,459
	Less than 1 year	Total
31 December 2021		
Accounts payable and accruals	5,708	5,708
Due to a related party (Short-term murabaha financing)	129,389	129,389
	135,097	135,097

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28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.4 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

Operational risk is a distinct risk category which the Company manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective in managing operational risk is to ensure control of the Company's resources by protecting its assets and minimizing the potential for financial loss.

The Company's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. The management of operational risk has a key objective of minimizing the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss.

28.5 Equity price risk

The Company's listed equity investments are susceptible to price risk, arising from uncertainties about fair values of investments. The Company manages equity price risk through diversification, setting limits on investments and monitoring continuously the developments in the stock and international funds markets. In addition, the key factors that affect the stock and bond market movements are monitored including analysis of the operational and financial performance of investees. The exposure to investment and its impact on equity is detailed in the table below with a % change in equity prices.

Markets	31 December	
	2022	Sensitivity
Investments at FVTPL		Profit Percentage
Saudi Arabia	10,382	+/-104 +/- 1%
Investment classified as held for sale		
Saudi Arabia	42,227	+/-422 +/- 1%
Markets	31 December	
	2021	Sensitivity
Investments at FVTPL		Profit Percentage
Saudi Arabia	6,479	+/-65 +/- 1%

29 FINANCIAL INSTRUMENT FAIR VALUE

As at 31 December 2022 and 2021, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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29 FINANCIAL INSTRUMENT FAIR VALUE (continued)

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The table below presents the financial assets and financial liabilities at their fair values as at 31 December 2022 and 2021 based on the fair value hierarchy:

31 December 2022	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Investments at FVTPL – current	10,382	10,382	-	-	10,382
Investment classified as held for sale	42,227	42,227	-	-	42,227
Investments at FVTPL – non-current	5,850	-	3,592	2,258	5,850
	58,459	52,609	3,592	2,258	58,459
31 December 2021					
Financial assets measured at fair value					
Investments at FVTPL – current	6,479	6,479	-	-	6,479
Investments at FVTPL – non-current	5,758	-	3,625	2,133	5,758
	12,237	6,479	3,625	2,133	12,237

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended 31 December 2022 and 2021, there were no transfers into or out of Level 1, level 2 and level 3 fair value measurements.

The fair values of financial position financial instruments not measured at fair value are not significantly different from the carrying values included in the financial statements. The fair values of cash and bank balances, margin lending and murabaha financing, margin deposit with Maqassa, other assets, accounts payable and accruals and short term Islamic financing payable. which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements, due to the short term duration of financial instrument and the current market commission rates are not significantly different from the contracted rates for bank loan. An active market for these instruments is not available and the Company intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

29.1 Fair valuation techniques

For level 1 Investments the valuation technique used is using active market inputs.

The following tables show the valuation techniques used in measuring Level 3 and Level 2 fair values:

Description	Valuation techniques	Unobservable inputs
Investments at FVTPL		
Yaqeen Gold Fund (level 2)	Net assets value	
Murabaha Financing Fund (level 3)	Net assets value	Valuation is based on the NAV received from fund managers
Arar Hills Fund (level 3)	Net assets value	

30 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital is, to comply with the capital requirements set by CMA to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to its shareholder by pricing products and services commensurate with the level of risk. It is the policy of the Company to maintain adequate capital base so as to maintain investor, creditor and market confidence and to support future development of the business. The Company's capital base sufficiently covers all material risks meeting the minimum capital requirement and the Company intends to maintain a healthy capital ratio to cater future business growth. The capital management is monitored by the Chief Financial Officer and reports to the Company's Board of Directors. As at 31 December 2022, the Company was in compliance with the externally imposed capital restrictions.

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31 SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on their products and services and has four reportable segments, as follows:

- **Brokerage:** Providing services through trading channels and margin trading to customers.
- **Investment Banking Group (IBG):** Providing advisory and IPO services to the customers.
- **Asset management:** Manage and establish mutual funds and portfolios.
- **Investments and others:** investment and other segments.

No operating segments have been aggregated to form the above reportable operating segments.

The Board of Directors is the Chief Operating Decision Maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements.

The segment wise breakup is as follows:

	Brokerage	IBG	Asset management	Investments and others	Total
For the year ended 31 December 2022					
Income	18,251	51,760	23,629	5,392	99,032
Expenses	(22,108)	(16,255)	(7,558)	(49,293)	(95,214)
Segment (loss) / profit after zakat	(3,857)	35,505	16,071	(43,901)	3,818
As at 31 December 2022					
Assets	75,748	12,423	17,407	213,799	319,377
Liabilities	-	-	-	97,085	97,085
	Brokerage	IBG	Asset management	Investments and others	Total
For the year ended 31 December 2021					
Income	51,011	52,461	25,952	6,000	135,424
Expenses	(16,651)	(12,168)	(5,942)	(33,448)	(68,209)
Segment profit / (loss) after zakat	34,360	40,293	20,010	(27,448)	67,215
As at 31 December 2021					
Assets	255,301	12,868	16,351	116,972	401,492
Liabilities	-	-	-	181,626	181,626

32 IMPACT OF COVID-19

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases. Measures were taken to contain the virus that could have affected economic activity. Management has taken several measures, such as safety and health measures for people (such as social distancing and working from home).

Management believes that there is minimal impact on the Company from COVID-19. In addition, the Company assessed that there is minimal risk on collections of margin lending as the policy of lending to the customers. The Company will continue to do the utmost to continue operations in the best and safest way possible without jeopardizing the health and safety of its employees.

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33 RESTATEMENT

In prior years, cash flows on short term murabaha financing of 3 months and less and with a quick turnover were presented on a gross basis under financing cash flows. In 2022, the Statement of Cash Flows was corrected for better presentation, and the amounts were shown as a net amount as required under IAS 7 - Statement of Cash Flows. Accordingly, the comparatives were also adjusted for the same.

Following is the summary of the restatement made in the comparative financial statements,

For the year ended 31 December 2021

	As previously stated	Adjustment	Restated
Cash flows from financing activities:			
Proceeds from related party murabaha financing	695,977	(695,977)	-
Repayments of related party murabaha financing	(777,898)	777,898	-
Net repayments from a related party – murabaha financing	-	(81,921)	(81,921)

34 APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved for issue by the Company's Board of Directors on 20 March 2023.